

On the first day of the first applicable pay period beginning on or after January 1, 2004, as authorized by the National Defense Authorization Act (Public Law 108-136), the new performance-based pay system for the SES takes effect. For purposes of processing the personnel action (SF-50) to effect the conversion, a pay adjustment is any increase or decrease in an employee's rate of basic pay where there is no change in the duties or responsibilities of the employee's position, or where there is a change in the pay system under which the employee is paid. To document the SF-50, agencies should use nature of action (NOA) code "894/Pay Adjustment," and legal authority code "ZLM/P.L. 108-136, Sec. 1125." For subsequent adjustments in the rate of basic pay, agencies should use NOA "894/Pay Adjustment," and legal authority code "VWH;" however, if such an adjustment results from an automatic annual pay adjustment for senior executives whose pay is at the minimum of the rate range, the appropriate documentation will be NOA "894/Pay Adjustment," and the legal authority code will be "ZLM/cite the Executive Order that established the new rate."

When processing the above actions for SES members who are subject to 18 U.S.C. 207(c)(2)(A), include the following newly established remark code ("M97") on the SF-50 which reads as follows: "SES member subject to post employment restrictions under 18 U.S.C. 207(c)(2)(A)." Additionally, when processing the actions referenced above, enter "00" in blocks 11 and 19 of the SF-50 (Step or Rate). This guidance is effective immediately, and will be reflected in *The Guide to Processing Personnel Actions* when it is next updated.